

Message Text

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ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 NSAE-00 RSC-01 TRSE-00

EUR-12 AEC-05 ISO-00 EA-06 MC-01 ACDA-05 SSO-00 AID-05

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O P 171500Z JAN 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5048

INFO AMEMBASSY ROME PRIORITY

C O N F I D E N T I A L OECD PARIS 01422

EXCON

E.O. 11652: XGDS1

TAGS: ESTC, COCOM, IT, CH, US

SUBJECT: ITALIAN MILLING AND BORING MACHINES TO

CHINA - IL 1091

REFS: A. COCOM DOC. (74) 1077

B. STATE 9936

C. OECD PARIS 1277

D. ROME 706

E. ROME 711

1. USDEL (AND WE ASSUME INTERESTED WASHINGTON AGENCIES AS WELL) GRATIFIED THAT, ACCORDING TO REF D, ITALIANS DO NOT INTEND TO HAVE FORMAL RECOURSE TO COCOM EXCEPTION REGULATION PARA. 1(D). IT REMAINS TO BE SEEN WITHIN WHICH CONTEXT ITALIAN DEL WILL RAISE THE ISSUE AT JAN. 21 MEETING. IT WOULD BE POSSIBLE FOR HIM TO ASK THE CHAIRMAN IN ADVANCE TO PLACE THE CASE ON THE AGENDA AS A SEPARATE POINT, OR HE MAY MERELY REFER TO IT UNDER "OTHER BUSINESS." THE FORMER COURSE WOULD CALL FOR A MORE DEFINITIVE (BUT NOT NECESSARILY FINAL) REACTION FROM US, WHILE THE LATTER WOULD PROBABLY MERELY SERVE AS NOTICE THAT A REACTION WOULD BE
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EXPECTED BY SOME LATTER DATE. WE THINK IT BEST NOT TO

INQUIRE OF HIM NOW, BUT WILL REPORT ANY FURTHER INDICATIONS.

2. PERHAPS THE GOI, OR THE EMBASSY SEPARATELY, CAN ELABORATE ON REF E AND EARLIER REPORTING OF THE ADVERSE POLITICO-ECONOMIC IMPACTS CANCELLATION OF THIS TRANSACTION WOULD HAVE. NEVERTHELESS, IT SEEMS CLEAR TO THE USDEL THAT THE MATTER SHOULD BE CONSIDERED EXPEDITIOUSLY BY THE USG AT A LEVEL HIGHER THAN THE USUAL EXCEPTION CASE, BALANCING THESE CONSIDERATIONS AGAINST THE STRATEGIC RISKS (OR PERHAPS, UNCERTAINTIES) ADDUCED IN REF B. WE WOULD BE THE FIRST TO CONCEDE THAT THE CASE WAS POORLY PRESENTED INITIALLY AND THE CHINESE UNWILLINGNESS TO PROVIDE END-USE DETAILS IS AN IMPORTANT COMPLICATING FACTOR. WE DOUBT, HOWEVER, THAT IT WILL BE ENOUGH TO RESPOND THAT THE ITALIANS HAVE NOT MADE A SUFFICIENT CASE UNDER THE NORMAL PROCEDURES, THAT THERE IS A CONSEQUENT RISK OF DIVERSION, AND SO THE EXPORT SHOULD NOT BE GIVEN THE BENEFIT OF THE DOUBT.

3. HAVING IN MIND THAT POST-FACTO VERIFICATION ARRANGEMENTS HAVE BEEN CONSIDERED ADEQUATE IN SOME OTHERWISE QUESTIONABLE CASES (OUR OWN AND THOSE OF OTHER COCOM MEMBERS), WE WOULD URGE CONSIDERATION BE GIVEN TO A US APPROVAL CONDITIONAL UPON THE PARTICIPATION OF THE EXPORTER IN INSTALLATION AND PERIODIC SERVICING OF THE EQUIPMENT. IF THAT IS UNACCEPTABLE AND NO OTHER SATISFACTORY SOLUTION IS POSSIBLE, WE WOULD HOPE THAT OUR INSTRUCTIONS TO OBJECT TO THIS REQUEST BE SUPPORTED BY FURTHER DETAILED ARGUMENTATION AND COLLATERAL INTELLIGENCE (PERHAPS BEST PROVIDED ON A BILATERAL BASIS) WHICH OFFER CLEAR INDICATIONS THAT THE CHINESE WOULD PROBABLY (RATHER THAN COULD, OR MIGHT) UTILIZE THE EQUIPMENT FOR PURPOSES INIMICAL TO THE COCOM MEMBER NATIONS. ALSO, IF WE DO HAVE TO OBJECT, WE (EMBASSY AND USDEL) SHOULD BE ABLE TO GIVE THE ITALIANS ASSURANCES THAT THE COLLATERAL POLITICO/ECONOMIC FACTORS WERE CONSIDERED AT A POLITICAL LEVEL WITHIN THE USG AND THAT THE INSTRUCTIONS TO OBJECT WERE CONFIRMED THERE.

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4. ACTION REQUESTED: TRANSMISSION OF FURTHER GUIDANCE TO USDEL IN TIME FOR JAN. 21 COCOM MEETING.

TURNER

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Message Attributes

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Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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